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Forging Pathways from Poverty

**Concerning the Senate Concurrent Resolution on Raising the
Constitutional Minimum Wage to \$12.50 by 2020
SCR 15-003**

Testimony to the Senate Committee on State, Veterans, and Military Affairs

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Thank you for this opportunity to present this testimony to the committee today.

My name is Michelle Webster. I am the manager of research and policy analysis at the Colorado Center on Law and Policy. CCLP is a nonprofit, non-partisan research and advocacy organization that engages in legislative, administrative and legal advocacy on behalf of lower income Coloradans.

I am here today to testify in support of the Senate Concurrent Resolution on referring a ballot measure for raising the statewide minimum wage. CCLP believes that raising the minimum wage makes good on the promise of work as a pathway out of poverty.

Significant Erosion of the Minimum Wage

Between 1938—when the minimum wage was established—through the 1960s, the minimum wage provided an adequate floor for wages and grew at the same pace as productivity. At its peak value in 1968, the minimum wage was equal to a little more than half of what the average production worker made and was enough to keep a family of three above the poverty line.¹ Throughout the 1960s and 1970s, a full-time minimum wage job was enough to keep a family of two above the poverty line. That is no longer true today. Over time, the value of the minimum wage has eroded and the wage gap between minimum wage workers and the average American wage earner has grown significantly.

Today, at \$8.23 per hour, a minimum wage worker in Colorado only makes about one-third of the average wage.² Working full-time year round for minimum wage totals only \$17,118 in annual income—that is only slightly above the poverty line for a family of two (\$15,930) and below the poverty line for a family of three (\$20,090).³

Falling Short of the Self-Sufficiency Standard

As we know, the poverty line, however, does not equate to a living wage.⁴ CCLP publishes an alternative measure of poverty, the Self-Sufficiency Standard for Colorado, which calculates the income for a family to meet basic needs without public or private assistance. In most parts of the state, even a single adult would fall short of meeting their basic needs while working a minimum wage job. **And there is not a single county in Colorado where a parent supporting even just one child could do so working a minimum wage job without relying on private or public support to make ends meet.** The same is true of families with two working adults with two or more children.

Table 1 at the end of my written testimony shows the hourly self-sufficiency wage by family type for counties represented by members of this committee. For example, the self-sufficiency hourly wage for a single adult in Cheyenne, Kit Carson, Washington, and Weld Counties—the amount needed to meet basic needs in that community without relying on private or government support—comes close to the current minimum wage. But there is wide variation across the state. In Adams, Boulder, Denver and Elbert Counties (among others), a single adult would need to earn over \$12/hour. **Once we add child care into the equation, a single adult with one child living anywhere in Colorado would have to work two to three full-time year round minimum wage jobs to make ends meet.** Even two-adults each working a full-time minimum wage job fall short in providing for a family of four in most counties across the state.

Workers Impacted by Raising the Wage to \$12.50 by 2020

Low-wage workers are falling farther behind and working full time at minimum wage is not enough to support the basic cost of living in most communities in Colorado. The current proposal of \$12.50 per hour by 2020 would provide a needed raise for many Coloradans. **By 2020, an estimated 454,000 workers—or about 18 percent of the labor force⁵—would likely see their wages rise directly as a result of the increase.** An even larger number of Colorado workers would also benefit indirectly as employers adjust overall pay ladders in response to the new minimum wage.⁶

The Colorado workers who would receive a raise from this proposal do not fit common perceptions of low-wage workers. The vast majority are over the age of 20; about one-third are at least 40; over one-quarter have children; just over half work full-time and half have attended some college or have a college degree.

Table 2 in my written testimony provides estimates of the workers impacted by increasing the minimum wage to \$12.50 by 2020. I'll review a few numbers here.

Gender: Although raising the minimum wage would benefit both men and women, it would disproportionately impact women. Women account for 47 percent of the labor force in Colorado, yet are nearly 52 percent of workers whose incomes would rise by increasing the minimum wage.

Age: Contrary to popular belief that minimum wage workers are mostly teenagers, only 13.7 percent of those who would be affected by this increase are under the age of 20. A full 86 percent are over 20 years old and nearly one-third are at least 40 years old.

Family status and children impacted: About 27 percent of all workers—or 123,000 Coloradans—who would directly benefit from the increase have children. An estimated 212,000 children in the state have at least one parent who would be impacted by the wage increase.

Work status: About 52 percent of Coloradans who would get a raise would be full-time workers, defined as working 35 hours or more a week. Another 32 percent of those directly impacted would be workers with schedules between 20 and 34 hours per week.

Education: Among those directly affected by this increase, half would have at least some college. About 15 percent would have a Bachelor's degree or higher.

Proposal in Context

Finally, to put the proposed increases in context, I have included data on historical increases in the federal minimum wage in Table 3. The proposal outlined in the Senate Concurrent Resolution would increase the minimum wage by about a \$1/hour per year starting in 2017 until reaching \$12.50 in 2020. This is consistent with historical increases in the federal minimum wage dating back to 1938—which have averaged about 10 percent of the previous minimum.⁷

We need an economy that works for everyone in Colorado. About 600,000 Coloradans, just over one-quarter of the labor force, earn less than \$12/hour.⁸ And the lowest wage workers in Colorado—those at the frontline of our economy—have only seen their wages rise by 2 percent since 1979 despite significant gains in productivity.⁹ **Very simply, raising the minimum wage makes good on the promise of work as a pathway out of poverty and spurs economic growth.** The hard working people earning low-wages in Colorado deserve a raise. I urge you to support SCR 003.

Table 1.
Self-Sufficiency Hourly Wage by Family Size for Selected Counties, 2015

	Single Adult	Adult + Preschooler	Adult + Preschooler & School-age	2 Adults +Preschooler & School-age (wage per adult)
Adams	\$12.23	\$24.01	\$28.85	\$16.23
Boulder	\$13.36	\$26.86	\$32.12	\$17.97
Cheyenne	\$8.28	\$16.28	\$18.89	\$11.39
Denver	\$10.38	\$22.69	\$27.18	\$14.93
Elbert	\$13.30	\$23.49	\$28.04	\$15.83
El Paso	\$9.84	\$20.18	\$24.48	\$13.93
Kit Carson	\$8.29	\$13.91	\$15.50	\$9.74
Lincoln	\$8.76	\$14.37	\$16.78	\$10.44
Logan	\$8.46	\$15.40	\$17.57	\$10.67
Mesa	\$9.14	\$17.41	\$21.80	\$12.54
Morgan	\$8.44	\$14.96	\$18.93	\$11.39
Phillips	\$8.43	\$14.85	\$17.19	\$10.53
Sedgwick	\$8.96	\$14.79	\$18.20	\$11.21
Washington	\$8.34	\$14.87	\$16.35	\$10.19
Weld	\$9.72	\$19.82	\$24.26	\$13.91
Yuma	\$8.25	\$14.80	\$17.12	\$10.42

Source: The Self-Sufficiency Standard for Colorado, 2015, to be published June 2015.

Table 2.**Coloradans Directly Impacted by Increasing the Minimum Wage to \$12.50**

	Hourly wage less than \$12.50 in 2020*	Share of the total
Total	454,000	
Gender		
Female	234,000	51.5%
Male	220,000	48.5%
Age		
20 +	392,000	86.3%
Under 20	62,000	13.7%
Race/ethnicity		
White	270,000	59.5%
Black	25,000	5.5%
Hispanic	131,000	28.9%
Asian	28,000	6.2%
Family status		
Married parent	87,000	19.2%
Single parent	36,000	7.9%
Married, no kids	64,000	14.1%
Unmarried, no kids	267,000	58.8%
Work status		
Part time (< 19h)	73,000	16.1%
Mid time (20-34)	146,000	32.2%
Full time (35+)	235,000	51.8%
Education		
Less than high school	94,000	20.7%
High School	131,000	28.9%
Some college	161,000	35.5%
Bachelor's or higher	68,000	15.0%
Sector		
For profit	384,000	84.6%
Government	53,000	11.7%
Non-profit	17,000	3.7%
Children with at least one affected parent		
	212,000	

Source: Economic Policy Institute analysis of Current Population Survey, Outgoing Rotation Group public use microdata, 2014

* Figures reflect workers currently earning less than \$11.02 - the current value (2014\$) of \$12.50 in 2020 using CBO projections for inflation.

Table 3.

Historical increases in the federal minimum wage, current-year and real 2013 dollars

	Nominal minimum wage	Nominal increase	Percentage increase	Real minimum wage (2013\$)	Real increase (2013\$)	Percentage increase
1938	\$0.25	-	-	\$3.61	-	-
1939	\$0.30	\$0.05	20.0%	\$4.40	\$0.79	21.7%
1945	\$0.40	\$0.10	33.3%	\$4.53	\$1.06	30.4%
1950	\$0.75	\$0.35	87.5%	\$6.34	\$2.92	85.2%
1956	\$1.00	\$0.25	33.3%	\$7.49	\$1.79	31.4%
1961	\$1.15	\$0.15	15.0%	\$7.84	\$0.95	13.8%
1963	\$1.25	\$0.10	8.7%	\$8.33	\$0.56	7.3%
1967	\$1.40	\$0.15	12.0%	\$8.54	\$0.68	8.6%
1968	\$1.60	\$0.20	14.3%	\$9.40	\$0.86	10.0%
1974	\$2.00	\$0.40	25.0%	\$8.54	\$1.03	13.7%
1975	\$2.10	\$0.10	5.0%	\$8.28	\$(0.26)	-3.0%
1976	\$2.30	\$0.20	9.5%	\$8.58	\$0.30	3.6%
1978	\$2.65	\$0.35	15.2%	\$8.70	\$0.64	7.9%
1979	\$2.90	\$0.25	9.4%	\$8.68	\$(0.01)	-0.1%
1980	\$3.10	\$0.20	6.9%	\$8.36	\$(0.33)	-3.8%
1981	\$3.35	\$0.25	8.1%	\$8.24	\$(0.11)	-1.3%
1990	\$3.80	\$0.45	13.4%	\$6.57	\$0.49	8.0%
1991	\$4.25	\$0.45	11.8%	\$7.10	\$0.52	8.0%
1996	\$4.75	\$0.50	11.8%	\$7.03	\$0.57	8.9%
1997	\$5.15	\$0.40	8.4%	\$7.46	\$0.43	6.1%
2007	\$5.85	\$0.70	13.6%	\$6.58	\$0.62	10.5%
2008	\$6.55	\$0.70	12.0%	\$7.10	\$0.51	7.8%
2009	\$7.25	\$0.70	10.7%	\$7.89	\$0.79	11.1%
Average of all increases			17.5%			13.0%
Average (excluding 1950)			14.2%			9.6%

Source: David Cooper, "Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost," (Washington, DC: Economic Policy Institute, 2013).

Note: The 1950 minimum-wage increase was particularly large. Nevertheless, the proposed increases are still smaller than the historical average even if the 1950 increase is excluded as an outlier. Real values are deflated using the CPI-U-RS. Inflation projections come from CBO (2013).

NOTES

¹ David Cooper, "Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost," (Washington, DC: Economic Policy Institute, 2013).

² According to data from the Bureau of Labor Statistics, the average hourly wage for production workers in Colorado in 2014 was \$25.03 and the average hourly wage of all private nonfarm workers was \$26.29.

³ U.S. Department of Health and Human Services, "Annual update of the HHS poverty guidelines 2015," available at: <https://www.federalregister.gov/articles/2015/01/22/2015-01120/annual-update-of-the-hhs-poverty-guidelines>.

⁴ The federal poverty level dates back to the 1960s and was based on a low-cost food budget that was then multiplied by three to account for all other costs of daily living. Experts widely agree that the federal poverty level (FPL) significantly underestimates the actual cost of modern living. The FPL does not take into account geographic differences in the cost of living, rising standards of living, job-related expenses such as transportation and child care, growing health care costs, etc.

⁵ Total estimated wage-earning workforce (2.5 million) is estimated from the Current Population Survey respondents who were 16 years old or older, employed, but not self-employed and for whom either a valid hourly wage is reported or one can be imputed from weekly earnings and average weekly hours. Consequently, this estimate represents the identifiable wage-earning workforce and tends to understate the size of the full workforce.

⁶ For example, in considering a proposal to raise the federal minimum wage to \$10.10 by 2016, the Congressional Budget Office estimated that 16 million people would be directly impacted. Another 8 million workers who otherwise would have earned just above \$10.10 in 2016 would also receive a boost after the increase, as employers adjust internal pay scales to reflect the new lower wage at the bottom. See "CBO and the Minimum Wage," (Washington, DC: Center for Economic and Policy Research, 2014).

⁷ David Cooper, "Raising the Federal Minimum Wage to \$10.10 Would Lift Wages for Millions and Provide a Modest Economic Boost," (Washington, DC: Economic Policy Institute, 2013).

⁸ Colorado Fiscal Institute analysis of Bureau of Labor Statistics, Occupational Employment Statistics for Colorado, 2013.

⁹ Michelle Webster and Casey O'Donnell, "State of Working Colorado 2014," (Colorado Center on Law & Policy, 2015).